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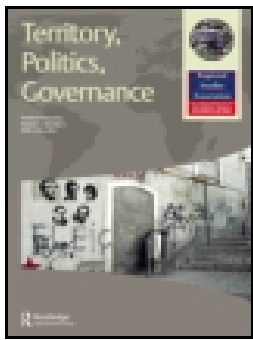
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## Was Africa rising? Narratives of development success and failure among the Mozambican middle class

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# Was Africa rising? Narratives of development success and failure among the Mozambican middle class

Andrew Brooks 

## ABSTRACT

Was Africa rising? Narratives of development success and failure among the Mozambican middle class. *Territory, Politics, Governance*. In the 2000s and 2010s, a narrative of 'Africa Rising' was popularized by businesses, donors, media and political leaders. High economic growth rates, increased investment from the BRICS (Brazil, Russia, India, China and South Africa) and the export of natural resources supported claims of development success. One group held up as beneficiaries was the emerging African middle class. Despite the optimism, poverty ratios remained stable and impoverishment was widespread. Change was occurring, but the gains were uneven. Mozambique had a liberalized economy and was at the forefront of numerous accounts of Africa's rise in 2014. Perceptions of change among middle-class Mozambicans working in small and medium-sized enterprises in the hospitality, retail and construction sectors in the capital Maputo were investigated. Economic growth enabled good performance for some businesses in the capital city, but there were challenges such as regulations that hampered enterprises, rising inequality and labour exploitation by foreign companies. There was frustration among the middle class with the state and business elites. Through a process of extraversion, leaders in the ruling Mozambique Liberation Front (FRELIMO) party worked as intermediaries between the global and national markets and gained from uneven development. Mozambique served as an important example of how economic growth had limited developmental benefits for those in the middle.


## KEYWORDS

Africa; BRICS (Brazil; Russia; India; China and South Africa); development; middle class; Mozambique; small and medium-sized enterprises (SMEs)

## 摘要

非洲正在崛起？莫桑比克中产阶级有关发展成功与失败的叙事。*Territory, Politics, Governance*. 在2000年至2010年之际，商业、捐赠者、媒体与政治领导人开始普遍推广‘非洲崛起’的叙事。高度经济增长率、来自金砖国家（巴西、俄罗斯、印度、中国与南非）投资的增加，以及自然资源的出口，支持了发展成功的宣称。浮现中的非洲中产阶级，则成为受益的群体。尽管对发展抱持乐观主义，贫穷率仍然继续维持，而困乏则相当普遍。改变正在发生，但其获益却分配不均。莫桑比克拥有自由化的经济，并位于2014年有关非洲崛起的无数说法中的前沿。本文探讨在首都开普托的照护、零售与建筑部门的中小型企业中工作的莫桑比克中产阶级，对于上述改变的感知。经济成长，促进了首都城市中若干商业的良好表现，但仍有诸如伤害企业的规范、扩大的贫富不均以及外资企业的劳动剥削之挑战。中产阶级对于国家和商业精英感到挫败。透过向外延伸的过程，莫桑比克解放阵线党（FRELIMO）的执政者作为全球与国家市场之间的中介，并从不均发展中获益。莫桑比克提供作为经济成长对中产阶级的发展益处如何有限之重要案例。

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**关键词**

非洲; 金砖国家 (巴西、俄罗斯、印度、中国与南非) ; 发展; 中产阶级; 莫桑比克; 中小型企业 (SMEs)

**RÉSUMÉ**

Peut-on parler de l'Afrique en essor? Communications sur les réussites et les échecs des développements parmi les classes moyennes au Mozambique. *Territory, Politics, Governance*. Dans les années 2000 et 2010, une communication sur l'*Afrique en Essor* fut popularisé par des chefs d'entreprise, ainsi que par des donateurs, les médias, et des personnalités politiques. Des taux de croissance élevés, une augmentation des investissements par les pays du BRICS (Brésil, Russie, Inde, Chine et Afrique du Sud), ainsi que l'exportation de ressources naturelles, appuyèrent les revendications relatives au succès de ces développements. Un groupe retenu comme étant les bénéficiaires de cet essor est celui des classes moyennes en Afrique. En dépit de cette vague d'optimisme, les taux de pauvreté restèrent stables, et l'appauvrissement ne cessa guère. Des changements se produisaient, mais les bénéfices étaient irréguliers. Le Mozambique, qui possédait une économie libéralisée, était à l'avant-garde d'un grand nombre de comptes rendus relatifs à l'essor du continent africain, en 2014. On se pencha sur la perception d'un changement parmi les classes moyennes du Mozambique travaillant dans des petites et moyennes entreprises des secteurs de l'hôtellerie, de la vente au détail, et du bâtiment dans la capitale Maputo. L'essor économique se traduisit par la réalisation de bons résultats pour certaines entreprises de la capitale, en dépit de certaines difficultés, par exemple la réglementation, qui entravait le travail des entreprises, des inégalités croissantes, et l'exploitation de la main-d'œuvre par des entreprises étrangères. On releva la frustration des classes moyennes vis à vis de l'état et des élites du secteur des affaires. Par le biais d'un processus d'extraversion, les leaders du parti du Front de Libération du Mozambique (FRELIMO) jouèrent un rôle d'intermédiaires entre les marchés mondiaux et nationaux, et tirèrent profit de l'inégalité dans le développement. Le Mozambique représente un exemple important de la façon dont l'essor économique présente des bénéfices développementaux limités pour les classes moyennes.

**MOTS-CLÉS**

Afrique; BRICS (Brésil; Russie; Inde; Chine et Afrique du Sud); développement; classes moyennes; Mozambique; petites et moyennes entreprises (PME)

**RESUMEN**

¿Estaba África en auge? Narrativas sobre el éxito y el fracaso del desarrollo en la clase media de Mozambique. *Territory, Politics, Governance*. En las décadas de 2000 y 2010, los comercios, donantes, medios de comunicación y líderes políticos popularizaron la narrativa del 'auge de África'. Factores como las altas tasas de crecimiento económico, el incremento de inversiones por parte de los países BRICS (Brasil, Rusia, India, China y Sudáfrica) y la exportación de los recursos naturales respaldaron las declaraciones sobre el éxito de las iniciativas de desarrollo. Uno de los grupos supuestamente más beneficiados fue la emergente clase media africana. Pese al optimismo, las tasas de pobreza siguieron siendo las mismas y el empobrecimiento era general. El cambio ocurrió pero las ganancias fueron desiguales. Mozambique tenía una economía liberalizada y fue pionera de numerosos relatos del auge de África en 2014. Se analizaron las percepciones de cambio entre la clase media de Mozambique que trabaja en pequeñas y medianas empresas en el sector hospitalario, de comercio minorista y de construcción en la capital Maputo. El crecimiento económico permitió un buen rendimiento en algunos negocios de la capital, pero surgieron problemas tales como las regulaciones que ponían en dificultad a las empresas, aumentando la desigualdad y la explotación laboral por parte de empresas extranjeras. La clase media se sentía frustrada con las elites estatales y comerciales. Mediante un proceso de extraversion, los líderes que dirigían el partido gobernante del Frente de Liberación de Mozambique (FRELIMO) actuaron de intermediarios entre los mercados internacionales y nacionales y se aprovecharon del desarrollo desequilibrado. Mozambique es un importante ejemplo de cómo el crecimiento económico solo aportó ventajas limitadas para el progreso de la clase media.

**PALABRAS CLAVES**

África; BRICS (Brasil; Rusia; India; China y Sudáfrica); desarrollo; clase media; Mozambique; pequeñas y medianas empresas (pymes)

**HISTORY** Received 25 November 2016; in revised form 17 March 2017

## INTRODUCTION

The first decade and a half of the twenty-first century was a period of economic growth and change for the world's poorest continent. African economies rapidly expanded and a positive narrative of 'Africa rising' took hold among business leaders and policy-makers ('Africa rising', 2011; Taylor, 2016). New investors from the BRICS (Brazil, Russia, India, China and South Africa) as well as established stakeholders from the global North capitalized on the continent's rich natural resources leading to an export boom (Carmody, 2011). Copper, natural gas, oil, hardwood and other commodities fuelled economic growth and spurred vibrant commercial activity. New construction projects transformed major cities, and consumer imports grew tremendously (Hicks, 2015). Development appeared to be working south of the Sahara. If there was one place above all others which encapsulated the new sense of confidence, it was Mozambique (UN News Centre, 2013). In Maputo, the Mozambican capital, businesses flourished and new downtown construction projects symbolized urban development (Barros, Chivange, & Samagaio, 2014). The city and the nation represented the mood of optimism that permeated among the international development community (IMF, 2011; The Business Year, 2014). The International Monetary Fund reinforced this message by choosing to host their 2014 conference in Maputo. The event was unambiguously titled 'Africa rising: Building to the future' (IMF, 2014). Yet, despite this positive narrative, there was a disconnect between the celebration of a new dawn for Africa and the reality of persistent poverty in Mozambique (Castel-Branco, 2015; Cunguara & Hanlon, 2012; Hanlon, 2015).

At a continental scale, the narrative of 'Africa rising' was driven by a belief in the power of liberal economic policies, entrepreneurship and free trade to encourage economic growth and social progress, and for the spread of democracy to foster improved governance (Basu & Srinivasan, 2002; Inglehart & Welzel, 2005). One group highlighted as beneficiaries of change were the emerging middle classes (Mazzolini, 2016). In contrast, critics of the rising narrative pointed to development failures across Africa, highlighting the uneven distribution of growth, widespread poverty, and the prevalence of unaccountable and authoritarian leaders (Bush & Harrison, 2014; Hart, 2013). Narratives of development 'successes' and 'failures' provided captivating, but partial and imagined perspectives, produced through the construction of specific discourses (Hofmeyr, 2013; Taylor, 2016). Nuanced national studies have unpicked some accounts of rising Africa and other optimistic narratives (Moran & Pitcher, 2004; Pérez Niño & Le Billon, 2014; Phillips, Hailwood, & Brooks, 2016; Pureza, Roque, Rafael, & Cravo, 2007), yet limited primary research has been undertaken with those in the middle, that may have done well out of formal employment in middle-class occupations (Melber, 2016). The perceptions of this population in Maputo provide important insights into the successes and failures of recent change in Mozambique.

This article opens with an account of the 'Africa rising' literature and its critics, with a particular focus on the middle classes. The next section examines how the idea of Mozambique's development success gained purchase (IDA, 2009; IMF, 2014; UN News Centre, 2013). The counter-narrative follows; critics argued that international donors and investors and their partners in government in Maputo had been unable to combat poverty and deliver meaningful development (Alfani, Azzarri, d'Errico, & Molini, 2012; Castel-Branco, 2015; Hanlon & Smart,

2008). The subsequent empirical contribution is positioned against this background of competing perspectives, and interrogates how the economic, social and political landscape of Mozambique was understood by people working in small and medium-sized enterprises (SMEs) in downtown Maputo in 2014. Research examined if they understood Mozambique to be a development success or failure; assessed how SMEs were performing; and explored both the role of foreign investors and the government in facilitating or hindering the growth of businesses and the middle class.

One of the core tenets of liberal economic theory is that an open marketplace will encourage foreign direct investment (FDI), among other things, and enable SMEs to prosper (Obstfeld, 1998). In theory, reducing state intervention in the market should free entrepreneurial business people to grow their companies and foster a vibrant and competitive economy. Efficient SMEs will then be able to create new opportunities for wealth generation and employment. Local and foreign-owned businesses should be able to capitalize on economic growth and produce benefits for society as a whole and encourage middle-class employment (Friedman, 2008; Yago & Morgan, 2008). Mozambique had adopted liberal principles in its pursuit of development. A priority in the 2011–2014 Poverty Reduction Action Plan was to stimulate employment and ‘Create an environment favorable to the creation and development of MSMEs<sup>1</sup> [micro, small and medium-sized enterprises] and the attraction of domestic and foreign investment into labor-intensive industries’ (IMF, 2011, p. 18). Drawing on fieldwork in June and July 2014 with 100 SMEs in Maputo, this article explores how owners and workers perceived the progress of development in Mozambique. Of particular concern were the businesses’ relationships with the emerging BRICS and Portugal, the former colonial power (Akwagyiram, 2013; Alden & Chichava, 2014). Field research in 2014 showed that the ‘success’ narrative was partially endorsed by middle-class people working within the hospitality, clothing retail and construction enterprises in Maputo’s downtown that comprised the sample. They discussed how SMEs had grown and benefitted from foreign investment, but were sceptical about the employment opportunities and the broader social effects of economic change. Importantly, they were critical of the relationships between the Mozambican government and foreign investment.

## CONTEXTUALISING AFRICA RISING

Africa rising was a narrative that represented a major shift in the way the continent was perceived. Kenyan President Uhuru Kenyatta summed this up in 2015 by declaring: ‘The narrative of African despair is false, and indeed was never true. Let them know that Africa is open and ready for business’ when he shared a stage with Barack Obama as co-host of a summit on entrepreneurship (Aljazeera, 2015). Both presidents spoke positively about the role of global business and the enterprising middle-class Africans who they argued could benefit from new market opportunities and spur development. These two economic actors, international capital and the emerging middle class, each formed part of the rising narrative, although their interests are often very different. This section first considers the political economy of how foreign businesses and local elites transformed African economies, before secondly discussing how the optimism surrounding the rising middle classes was misplaced.

African economies became increasingly open to foreign investment and trade in the 2000s. Liberal policies had spread through structural adjustment in the 1990s; state companies were privatized, public spending reduced, currencies devalued, public sector pay cut, and subsidies, price controls and some taxes were removed (Collier, 2008). Stable governments and encouragement from international institutions, including the IMF and African Development Bank, promoted the inward investment of capital (ADB, 1999; IMF, 2011). Economic expansion brought gross domestic product (GDP) growth of around 5% per year between 2000 and 2014 to sub-Saharan Africa (World Bank, 2016b). New foreign investment in natural resources, catalysed by high global commodity prices fuelled growth. Companies from the global North, the BRICS and



elsewhere, sunk new oil wells, opened new mines and felled old tracts of hardwood forest (Carmody, 2011). An export boom underpinned the optimistic Africa rising rhetoric that spread across the pages of the international business press. *The Economist* magazine captured this changing narrative through its evolving portrayal of Africa. In May 2000, the front cover was pessimistically titled 'Hopeless Africa'; by February 2001, this had shifted to 'Africa's elusive dawn'; in July 2005, 'Helping Africa to help itself'; in December 2011, 'Africa rising' and by March 2013, the headline read 'Aspiring Africa'.

Some critical commentators characterized this phenomena as a 'New scramble for Africa' (Carmody, 2011). As with the late nineteenth-century scramble, foreign powers were exporting resource wealth and unequal relationships with external capital were being forged (Hilary, 2016). Fanon's (1967) conception of false decolonization, or neo-colonialism, helps partially to explain why African societies remained poor, but to equate this period of uneven development with a continuation of colonial relationships neglects the ways in which capitalism was actively and continually reworked. Foremost in shaping the spatial patterns of economic change were the new deals and compromises negotiated between African leaders and foreign powers. African elites were active in both facilitating capital flows and constraining some business activities. Rather than passively following the interests of either the global North or other new sources of investment, such as the BRICS, sometimes, they worked with foreign powers or local interests and at other times, they opposed them (Bayart, 1993). African leaders had some autonomy of action and switched alliances and forged connections with different constellations of capital. For example, President Robert Mugabe isolated Zimbabwe from British and other Western involvement and left the Commonwealth in 2003, at the same time as he enthusiastically courted new trade deals and investment from China (Raftopoulos, 2010). Elsewhere in southern Africa, President Bingu wa Mutharika of Malawi attempted to break from neoliberal orthodoxy and fostered a series of unequal relationship to benefit himself and his allies (Brooks & Loftus, 2016). Leaders like Mugabe and Mutharika purposefully and profitably fostered links between local patrons and clients and enriched patrimonial networks among the elite upper classes of African society (Chabal & Daloz, 1999). Classifying such leaders either as nationalists who resisted neo-colonialism, or as collaborators with international business, fails to capture the manner in which they actively shaped their relations with domestic and external environments. Instead, this process is better encapsulated by what Jean-François Bayart had previously termed 'extraversion' (Bayart, 1993).

In his analysis of relationships between African societies and the global economy, Bayart (1993, 2000) paid careful attention to the fragmented class structures of post-independence Africa. He explored how political society and capital had been unable to intensify the exploitation of their dependents through mass formal employment. Despite the limited potential for surplus extraction from the local population, political and economic elites still flourished. The ruling classes leveraged their position as gatekeepers to Africa's valuable natural resources, as well as their roles as leaders of the world's poorest people to take advantage of the aid and loans available to developing countries (Bayart, 1993). After African countries experienced economic liberalization in the 1980s and 1990s local dominant groups continued to extract money and power from their position as intermediaries vis-à-vis the international system, gaining revenues from agricultural levies, natural resource extraction, consumer imports, business deals, foreign investments and aid. Elites used their status for personal gain, which did include corruption, but also meant contesting or adopting the ethical and cultural values of the West (Bayart, 2000). For instance, policies like the Millennium Development Goals (MDGs) were warmly adopted by some leaders, such as Joyce Banda in Malawi (Harland Scott, 2013). Whereas others actively rejected values that they framed as 'Western'. The most notorious examples being Uganda's populist anti-gay laws (Sadgrove, Vanderbeck, Andersson, Valentine, & Ward, 2012).

National elites used African innovations to overcome the weak productive forces and bitterness of internal social struggles to accumulate wealth and power (Hart, 2013). Bayart's (1993) account

explains this change, led from within African states, in a way that avoids the 'structuralist weaknesses' of dependency theory, which implies a continuation of collaboration through neo-colonialism, underplaying the role of the African bourgeoisie. Central to Bayart's work was a focus on the 'understanding' reached with former colonizers, foreign capital and international agencies (western donors, IMF, UN) by African elites in the aftermath of independence. By the 2000s, new 'understandings' were being reached with other sources of investment such as the BRICS, which not only offered alternative sources of finance but represented different cultural and political interests (Carmody, 2013). African elites were active agents in the making of their histories and the reworking of capitalist development. The new, expanding and diverse inward flows of capital strengthened their position, and for leaders dependent on international ties, promoting the rising narrative further helped them to make Africa an attractive destination for investment.

The second group of economic actors that feature prominently alongside international businesses in the Africa rising narrative were the 'emerging' African middle classes, although this was a difficult group to classify (Melber, 2016). Following independence, the middle classes were weak across Africa and lacked collective identities and class consciousness (Akinkugbe & Wohlmuth, 2016). Structural adjustment had further diminished the status of state sector professionals, such as teachers and eroded middle-class livelihoods in the private sector, including for salaried works in clothing industries (Ericsson & Brooks, 2015). But in the 2000s and 2010s, 'middle class' emerged as an attractive label, because it was a malleable socio-economic category that could be embraced both by African leaders, such as Kenyatta, as well as international proponents of neoliberalism. Local politicians were attracted to the 'middle' as it was an inclusive identity. The notion that the majority of people, or at least a significant proportion, belonged to a common 'middle' could help dispel tensions between classes as well as the pronounced regional and ethnic heterogeneity that characterized many African countries, such as Kenya (Neubert, 2016). The middle-class label further fitted the rising narrative, as it reinforced the notion that neoliberal policies were working and that Africa was home to an emerging population. For the optimistic proponents of Africa rising, including international business leaders, policy-makers and market analysts, 'middle class' was attractive, as it moved emphasis away from the state's responsibility for society and resonated with individual achievement and the rise of entrepreneurialism, despite the relative dearth of SMEs in Africa (Akinkugbe & Wohlmuth, 2016). In Africa, middle-class identity meant something different from the categorization of formal, secure blue-collar employment, familiar in the United States or the above-average status of white-collar workers in the UK. The torch bearers for the new African middle classes were neither factory workers nor the salaried bureaucrats and professionals of the immediate post-independence period, but instead the new winners of neoliberal globalization, who in small numbers, benefited from growth in import-export industries, computing, construction, hospitality, retail, telecommunications and other service sectors (Lentz, 2016). The middle-class label may have been convenient to apply in Africa, but there was disconnect between the few people in between the rich and poor who benefitted from economic growth, and the wide range of Africans officially classified as middle class. Broad consumption spans are employed by a variety of influential economists. The World Bank Chief Economist Martin Ravallion's definition of middle class is any household with a per capita consumption of US\$2 to US\$13 a day at purchasing power parity, whereas the United Nations Development Programme Human Development Report uses a daily income or expenditure of between US\$10 and US\$100 (Ravallion, 2010; UNDP, 2013). Taking either US\$2 or even US\$10 a day as a baseline for qualifying for membership places everyone short of the starving in the middle class. If someone was struggling to survive on US\$2, they may be in the 'middle' of African society, but they share little with middle-class consumers in other regions (Brooks & Bryant, 2013; Melber, 2016).

The label 'middle class' can be useful as an analytical category in the African context, but only when the term is applied critically. In the context of the following empirical case study, it is used



when making reference to the formally employed workers and owners of SMEs whose livelihoods are better than the majority of poor Mozambicans. Before the discussion of the fieldwork, the next section reviews the narrative of Africa rising with reference to development success in Mozambique and demonstrates how and why success was articulated. The subsequent section on failures illustrates how the uneven progression of capitalism fostered inequality and did not address poverty in Mozambique. In the following discussion of empirical work, the way in which middle-class Mozambicans are simultaneously encouraged by local economic growth in downtown Maputo, yet disappointed by limited wider social progress, is analysed. Owners, managers and workers in SMEs struggled to understand the inequality reproduced through the progression of capitalism in Mozambique. The concluding section places these ambiguities within in a wider discussion of the political economy of Mozambique and the rising Africa narrative.

## DEVELOPMENT 'SUCCESS' IN MOZAMBIQUE

The Republic of Mozambique has experienced much tragedy. Accounts of development success are only a recent phenomenon that followed after years of warfare and a painful period of economic reforms. Mozambique gained independence from Portugal in 1975, but soon became embroiled in a vicious civil war between the socialist FRELIMO (*Frente de Libertação de Moçambique*) government and RENAMO (*Resistência Nacional Moçambicana*), a resistance movement backed by Rhodesia and Apartheid South Africa, which fought a brutal campaign to destabilize socialism (Simon, 1999). Desperately poor and conflict ravaged, Mozambique was one of the world's most impoverished countries in the 1980s. Following independence, European settlers with technical skills fled the country and some even sabotaged industrial machinery, which 'shattered the economy' (Hanlon, 1984, p. 48). Basic health care and education were terrible. In 1985, life expectancy was 41.8 years and the mean years of schooling was only 0.8 years (UNDP, 2016a). Internal strife, the lack of the appropriate material conditions for industry and a substantial debt burden, meant the FRELIMO leadership were unable to deliver their progressive and revolutionary ideas (Phiri, 2012).

In the early phases of independence, FRELIMO established a nascent socialism regime, but this failed because of the legacy of colonialism, the narrow economic base and the impacts of conflict (Pitcher, 2003). FRELIMO may have won the wars against the Portuguese and against destabilization, but socialism lost the peace. The ruling party transitioned from being a progressive socialist movement that led the fight for independence, to one that embraced capitalism and perpetuated the uneven development they had previously fought against. The government's actions after the 1990s were still couched in revolutionary rhetoric, but socialist goals were abandoned and there was a transition to a liberal free market economy. Reforms were implemented through the Economic Rehabilitation Programmes (ERPs), an IMF and World Bank-influenced structural adjustment that started in 1987 (Moran & Pitcher, 2004). The ERPs successfully liberalized the economy and dismantled the socialist machinery of central administrative controls and promoted a market-based economy by allowing price and credit policies to determine resource allocation (ADB, 1999). Mozambique was transformed, but the ERPs brought further de-industrialization and great social hardships (Pitcher, 2003). FRELIMO oversaw a shift away from the settler-dominated colonial capitalism, based on mercantilist primary product extraction and racially determined exploitation, to an economy based on the principles of the Washington Consensus (ADB, 1999). Rather than the corporate monopolies that characterized the Portuguese colonial economy, in areas such as cotton agriculture, the Frelimo government promoted a liberal approach and encouraged inward investment. Following the start of economic reforms, and in parallel with the regional geopolitical shifts that saw the emergence of a new post-Apartheid South Africa, the donor community brokered a 1992 peace agreement between RENAMO and FRELIMO (Simon, 1999). This negotiated settlement and major aid commitments institutionalized

the Western powers' role in policy-making (Pérez Niño & Le Billon, 2014). A total of US\$34.2 billion of aid flowed in to Mozambique between 1992 and 2014 from the Global North donors that make up the Development Assistance Committee of the OECD (World Bank, 2017). Peace brought relative political stability and the shift to a liberal economy gave the emphasis for the myth of free market progress to take hold (Phiri, 2012). In tandem, FRELIMO participated in a nominally democratic process and contested five presidential and parliamentary elections, persistently winning more than 50% of the vote. Although doubts have been cast of the fairness of elections, RENAMO and other smaller opposition parties have received limited support (Hanlon, 2010).

FRELIMO's leaders have benefitted from electoral success and economic growth. Through processes of extraversion, Mozambican elites carved out opportunities for capital accumulation working as intermediaries between the local and global economies (Hanlon & Mosse, 2010). The prime example was Armando Guebuza, who was elected the third president of Mozambique in 2005 and served until 2015. Guebuza had been a general during the fight for liberation and the conflict with RENAMO. Later, this former socialist revolutionary became one of the wealthiest people in Mozambique, nicknamed 'Mr Gue-Business'. He grew enterprises in the 1990s and held stakes in *Banco Mercantil de Investimentos*, brewer Laurentina limited (part of South Africa's SABMiller) and telecommunications company *Vodacom* (owned by South Africa's Telkom and Britain's Vodafone) (Nhachote, 2012). Guebuza's shift from liberation leader to internationally networked tycoon embodies the integral relationship between business and government and is emblematic of the broader transformation in the Mozambican political economy (Sumich, 2008). A nominally democratic government opened the economy to trade and investment and the expansion of market forces. One form of capitalism was replaced by another, without popular participation. In a similar pattern to the ideological shift of the ANC in South Africa, FRELIMO, a socialist movement that was established to represent the masses and voices from below, was co-opted to establish a liberal capitalist state (Hart, 2013). The party was transformed by social groups and individuals like Guebeza. Working within the hegemony of the new political order, leadership from within the state replaced broader society, which was previously at the forefront of driving change through the revolutionary independence struggle.

Since the end of the civil war, Mozambique has remained free from major conflict – although there were violent disturbances in 2013–2016 – and experienced one of the highest non-oil GDP growth rates in sub-Saharan Africa. Peace and economic growth provided the foundation for the 'success story'. In 2002, the Secretary-General of the United Nations, Kofi Annan, hailed 'Mozambique's continuing success story and the climate of trust it has generated [which] is the best possible antidote to the sceptics and cynics about Africa' (UN News Centre, 2002). After Annan's statement, Mozambique was consistently held up as an 'important success story for the global community' (Ban Ki-moon quoted by UN News Centre, 2013) as it moved from warfare to peace and stability and made 'significant progress in terms of socioeconomic development' (IMF, 2011, p. 5). Positive comparisons were made in contrast to oil-rentier Angola, conflict-scarred Liberia and corrupt Guinea Bissau (Moran & Pitcher, 2004; Pérez Niño & Le Billon, 2014; Pureza et al., 2007).

From 1986, immediately before the implementation of the ERPs, to 2014, the Mozambican economy grew at an average of 4.73% per capita, per annum. Economic growth came from a low base. GDP per capita (current US\$) was \$399 in 1986 and \$623 in 2014 (World Bank, 2016a). Mozambique was still among the poorest countries in the world, ranked 180th out of 188 states, in 2014 (UNDP, 2016b). Steady economic growth in the 1990s and 2000s resulted from a peace dividend that saw production improve after hostilities ceased. One of the key chapters in Mozambique's success story was the openness to FDI. Attractive arrangements for foreign investors included contracts negotiated on a case-by-case basis and low levels of taxation for major foreign investors (Phiri, 2012). National economic policy focused on fostering big projects such as MOZAL, an aluminium processing facility near Maputo, which employed only 1,910 workers,

but accounted for 40% of exports (Pérez Niño & Le Billon, 2014, p. 91). Foreign investors played an especially crucial role in the extractive industries, because Mozambique lacked a strong national mining, oil or gas company. In addition to the large projects, there was foreign investment at the medium and small scales, which was overwhelmingly concentrated in Maputo, and the capital city attracted 25% of all FDI (Vines, Thompson, Jensen, & Azevedo-Harman, 2015). Investment came from the Global North and the emerging global powers that were praised by Guebuza: ‘the BRICS have a role to play to accelerate the development of African economies’ (‘BRICS won’t colonise Africa’, 2013).

Mozambique had long had support from China, the most important of the BRICS, and Chinese companies were some of the first to enter Mozambique after the war. Chinese exports to Mozambique increased from US\$61.8 million in 2004 to US\$1.06 billion in 2014 and included industrial goods such as vehicles and consumer products, whereas Chinese imports from Mozambique were US\$35.1 million in 2004 and US\$541 million in 2014, when 58% of goods were rough and sawn wood. This trade imbalance mirrors Mozambique’s broader negative trade balance of US\$3.04 billion in 2014, which had worsened over the preceding decade and is a further indicator of faltering economic policy (OEC, 2016). South Africa was Mozambique’s largest two-way trading partner. Key investors include the South African hydrocarbon company Sasol, which has developed the gas fields near Inhambane, as well as many other natural resource projects and small businesses in tourism and retail. Two of the other BRICS were also very significant; India was the third largest importer of Mozambican exports in 2014 (US\$638 million, 82% of which is coal and carbon products) (OEC, 2016); Brazil was an important partner with over 40 projects, and the Brazilian firm Vale first bid to develop the mega Moatize coal deposits in Tete province in 2004. Russian trade with Mozambique was small.

Development has been uneven. Beyond Mozal, the natural resource sector, Maputo’s vibrant urban economy, and increased consumer imports, liberalization did not spur widespread new economic activity (Giesbert & Schindler, 2012; Pitcher, 2003). In the 1990s, the end of hostilities enabled a national reduction in poverty, but welfare improvements and vital infrastructure projects later stalled, and yet a strong developmental narrative stemming from the immediate post-war period persisted (Vines et al., 2015). Selectively applying the label of a post-conflict society helped to provide evidence to support external interventions by the IMF and World Bank and the broader legitimization of liberal capitalism (Hanlon & Mosse, 2010). Perhaps most important in cementing Mozambique’s status as a rising success story was that it followed most of the policy prescriptions of the donors and received a very substantial amount of overseas development assistance (ADB, 1999). A positive news story was needed to satisfy the combined interest of the international community and FRELIMO to illustrate not only the benefits of the progression of post-war capitalism, but that liberalization can work (Cunguara & Hanlon, 2012).

## DEVELOPMENT ‘FAILURE’ IN MOZAMBIQUE

The counter argument of development failure in Mozambique is well established (Cunguara, 2012). Foremost has been the work of Joseph Hanlon and his various co-authors, who have critiqued the inconsistencies between the positive narrative surrounding Mozambique and the persistence of poverty (Cunguara & Hanlon, 2012; Hanlon, 2015). Welfare did initially improve after hostilities ceased in 1992, but long-term progress towards poverty reduction was disappointing. World Bank (2015) data showed a reduction in the poverty headcount ratio from 69.4% in 1996 to 54.1% in 2002, although progress stalled and the ratio was 54.7% in 2008. The Human Development Index (HDI) rank showed an absolute increase from 0.218 in 1990 to 0.300 in 2000, 0.401 in 2010, and 0.416 in 2014 (UNDP, 2016b). Much of this improvement can be accounted for by increased income (measured by GNI PPP\$ (Gross National Income per capita at purchasing power parity), and an input into the HDI) and relative performance

was dire. Mozambique's ranking of 180th in the HDI was constant from 2009 to 2014. In 2014, Mozambique's HDI was worse than conflict-raged societies including Afghanistan, DRC (Congo) and South Sudan. The MDGs provided another international metric for measuring development success or failure. By the end of the reporting period in 2015, Mozambique had not met any of the eight MDGs (MDGI, 2016). A notable failure of international development assistance. FRELIMO ensured a degree of 'democratization' and satisfied donors by enabling liberalization and 'good governance', but this political progress occurred without transforming the livelihoods of the poor (Bertelsen, 2016).

The economic growth enabled by liberalization and increased FDI brought little benefit to the poor and did not lift the masses out of poverty, especially in rural areas. Billions of dollars of investment in natural resource resulted in relatively few jobs. Free market reforms attracted new sources of capital and increased the availability of foreign imports, but undermined local industry (Pitcher, 2003). Manufacturing employed less than 3% of the labour force and grew slower than the economy as a whole (Cruz, Newman, Rand, & Tarp, 2017, p. 111). Even within Maputo city, notably, only 1 in 10 of the population was formally employed (Vines et al., 2015). Through processes of extraversion, wealth gains were concentrated within the hands of an elite based in and around Maputo and closely linked to FRELIMO (Sumich, 2008). Hundreds of Mozambican millionaires were created at a rate that rivalled any other African country (Kew, 2015). Meanwhile severe impoverishment prevailed in rural areas, especially in central and northern Mozambique. There were fluctuations in rural households income, but they converged around the poverty line and communities were collectively trapped in generalized underdevelopment with few prospects for significant improvements in livelihoods (Phiri, 2012). Projects to alleviate poverty had a poor record and less than half of the donors' poverty reduction plans were achieved (Giesbert & Schindler, 2012). Food insecurity was prevalent across rural and urban communities. Around 30% of households consumed on average less than 1,000 k-calories per person per day, well below the minimum standards for survival given by the World Health Organization (Alfani et al., 2012). The poor were also exposed to market price shifts (Raimundo, Crush, & Pendleton, 2014). In 2010, there were riots over the rising cost of bread in Maputo (Bertelsen, 2016). Housing was a major challenge and the middle class as well as the poor were unable to afford appropriate accommodation (Mazzolini, 2016). This suite of evidence casts doubt on Ban Ki-moon's 2013 claim that Mozambique offered an 'important success story' (UN News Centre, 2013).

Further indicators also challenged the reputation of Mozambique as a 'poster child' for democracy including evidence of endemic abuse of state power (Moran & Pitcher, 2004). Corruption was rampant in the *Alfândega* (customs services) and bribes were paid on an estimated 54% of all imported cargo (Vines et al., 2015). FRELIMO was bolstered by a highly partisan police force and the material and human capacities of the state supported the ruling party. The *partidarização* (partization) of the state apparatus meant public funds were channelled through avenues that strengthened FRELIMO (Pérez Niño & Le Billon, 2014). In comparison, RENAMO and the smaller third party MDM (*Movimento Democrático de Moçambique*) were financially and organizationally weak (Hanlon, 2010). This power imbalance contributed to violent skirmishes in 2013–2014 between RENAMO supporters and government forces. Prominent civil and legal critics of the government were silenced in politicized murders, including the killings of Journalist Carlos Cardoso (2000), Banking Official António Siba-Siba Macuácuá (2001), Customs Director Orlando José (2010), Judge Dinis Silica (2014) and Lawyer Gilles Cistac (2015). Their deaths constrained the investigation of fraud and corruption and suppressed the freedom of speech, highlighting the limits of Mozambique's democracy (Brooks, 2012a; Ganho, 2016). Something else common between all these killings is that they occurred in the affluent neighbourhoods of Maputo, in the banks, cafes and streets which epitomized Mozambique's rise. Maputo is the heart of Mozambican political as well as commercial life. This review has demonstrated that there was economic growth and transformation, but also many governance challenges and

development failures in Mozambique; the next section draws on fieldwork to explore how change was understood by the middle class in downtown Maputo.

## RESEARCHING DEVELOPMENT AND CHANGE IN MAPUTO

In 2014, Maputo was benefiting from increased FDI from China and other sources (Alden & Chichava, 2014), growing imports (Hanlon & Smart, 2008) and record numbers of Portuguese expatriates relocating to the capital city (Akwagyiram, 2013). These changes provided the impetus for 'building for the future' (IMF, 2014). In line with the neoliberal model, people who were either entrepreneurs themselves, or employed in local businesses, should have been observing the development of the nation at first hand and benefitting from economic growth (Friedman, 2008; Yago & Morgan, 2008). To understand how development was perceived by people at the vanguard of Maputo's vibrant urban economy, empirical research was undertaken with owners, manager and employees who worked in SMEs in June and July 2014 and who formed part of the Mozambican middle class. The objective of the empirical work was twofold. First, to establish if they shared in the narrative of development success or if they felt that there had been a failure of development in Mozambique. Secondly, to explain how they had formed these opinions, especially in relation to understanding the role of both the FRELIMO government and foreign investors, principally the BRICS and Portugal.

The sample of Maputo interviewees consisted of people from three types of enterprises: clothing and accessories retailers, hospitality and entertainment venues (bakeries, bars, cafes, restaurants and hotels), and construction businesses (building merchants and contractors). After initial scoping and pilot research in May 2014, these sectors were selected because they were accessible entrepreneurial SMEs staffed by middle-class Mozambicans who were likely to have benefitted from liberalization and economic growth in downtown Maputo (IMF, 2011). Liberalization had enabled the import of new apparel (Ericsson & Brooks, 2015), leisure providers benefitted from increases in tourism and middle-class spending (Vines et al., 2015), and building companies enjoyed a boom in new construction and infrastructure projects (The Business Year, 2014). Businesses in the *Baixa*, or downtown, of central Maputo along three major retail avenues: *Avenue 25 de Setembro*, *Avenue 24 de Julho* and *Avenue Vladimir Lenine*, and in the Maputo Shopping Centre, were selected as these core downtown areas were a focus for commercial growth (Barros et al., 2014; Melo, 2013). Construction firms operating in the areas of Benfica and Matola were also included as fewer of these businesses were located in the *Baixa*. Small to medium enterprises were approached for interview (93% of the sample had 20 or fewer employees). A purposeful sampling approach yielded 100 responses of which approximately half the interviewees (53%) were in low-level roles and half (47%) in supervisory, managerial or ownership positions. The sample consisted of 78% Mozambican-owned and 22% foreign-owned businesses, which were primarily Portuguese ( $n = 9$ ). The research tool combined elements of a survey and a structured interview. Respondents were asked a total of 65 questions including 48 closed questions and 17 open qualitative questions, which allowed for expansive and in-depth answers. Questions focused on change over a 10-year period (2004–2014), the performance of businesses, relationships with foreign investors, and the role of the government in delivering change. The interviews were completed by the author and three Mozambican field assistants in Portuguese ( $n = 87$ ), English ( $n = 10$ ) and the local language of Changana ( $n = 3$ ).

## FIELD RESEARCH FINDINGS

Four main themes are discussed through this section drawing together analysis of the participants' responses to a range of questions: (a) Has Mozambique been a development success or failure? (b) How were SMEs in downtown Maputo performing? (c) What was the role of foreign investment



in economic change? (d) What was the role of the FRELIMO government in facilitating or hindering business?

### Has Mozambique been a development success or failure?

The interviewees all worked in formal sector SMEs in central Maputo and would be expected to have personally gained from economic change, especially the managers and business owners. Research demonstrated that this was correct. Even the lowest-level employees were assessed by the researchers to have living standards considerably higher than the average documented in Maputo's informal sector, as well as in the majority of the rural population (Alfani et al., 2012; Brooks, 2012b). The research participants were part of a middle class and had enjoyed some of the benefits of increased opportunities for consumption. As one interviewee argued: 'We are proof that life is becoming better' (I.43), offering evidence that at least some people entered a Mozambican middle class, although they were few in number. Participants were asked if they agreed that the Mozambican economy had grown, and if they agreed that there had been a reduction in poverty in the last 10 years: 86% either agreed or strongly agreed that there had been economic growth and 72% agreed or strongly agreed that poverty had been reduced. But in open interviews, respondents expressed a more nuanced understanding of economic change and a less positive picture of national poverty reduction. Livelihoods were 'getting better in the cities, but rural areas are still poor' (I.56) and there are 'difficulties for other people' (I.38). Within Maputo, there was frustration over the uneven distribution of development gains, as it 'depends on the social level' (I.51) and the *mais elevado* (higher classes) enjoyed the benefits of growth, whereas living standards had stagnated for many employees: 'Life is better for some, but for workers it is staying the same' (I.96). Outside the formal economy, people were being left behind: 'the majority are suffering' (I.16). Economic liberalization had enabled increased consumption, but only for the rich and few middle-class people with a reliable formal sector job. Some thought living costs were 'very expensive' (I.2). Despite these and other caveats, overall, the consensus was that Mozambique had been a development success in the previous decade.

### How were SMEs in downtown Maputo performing?

Overall, 87% of the SMEs had 'good' or 'very good' performance, suggesting that these companies were succeeding. This optimistic outlook chimes with the narrative of development success. There is a small, visible and successful formal economy that includes clothing retail, leisure activities and construction that is providing middle-class employment for workers and profit for business owners (The Business Year, 2014). Notably, when questioned, owners and managers did not consider the cost of wages or the skill level of employees to be constraints for their businesses; recruitment is easy and there is an oversupply of labour in Maputo. Further interviews with workers highlighted that jobs were difficult to obtain. So, although these downtown SMEs were successful, they, along with other formal sector private employers in Maputo, which account for only 10% of jobs, are insufficient to provide the mass employment required to address poverty (Vines et al., 2015).

The high cost of taxes and the payment of arbitrary 'imposotos' or fees to the police and civil servants, which in some cases included corrupt payments, were a frequent problem for the businesses researched. Macro-level liberalization had enabled major companies to negotiate favourable tax agreements, but the SMEs did not reap the same benefits of liberalization. At the small and medium scale, entrepreneurs were frustrated by regulation. The four other main challenges were: (i) competition with foreign businesses in the construction sector; (ii) competition with other Mozambican businesses; (iii) high cost of rent of property and (iv) the falling rate of profits. In general, while particular firms may view competition negatively, the presence of a competitive marketplace across Maputo, allied to the fact that businesses had good performance, implies that the small formal urban service economy is buoyant. The impacts of high property prices and a 'greedy' landlord class, which extracts surplus value from the hospitality and retail



sectors, were seen as negative impacts for Mozambican and foreign businesses alike. Other challenges facing businesses were around the infrastructure problems associated with the road network, electricity supply and delays in receiving imports, which are all emblematic of a lack of infrastructure development in Mozambique.

### What was the role of foreign investment in economic change?

The interviewees were regularly in contact with international visitors, and 93% agreed or strongly agreed that foreign investors contributed to economic growth. In open questioning, respondents gave positive answers that highlighted the need for FDI 'as Mozambicans don't have the funds to invest' (I.63) and the benefits of formal sector employment, although some respondents were critical of the expatriation of earnings: 'They have positive impacts because we gain jobs, but negative because they are taking profits' (I.2). Owners were concerned by competition 'They are not good they are stealing our work places and businesses' (I.3) and pressure on commercial space which was driving up rents. Interviewees were asked to rank the importance of foreign investors in Mozambique in general (not in regard to their business) and were given the choice of the five BRICS and Portugal. China was clearly identified as the most important investor, and was ranked first by three quarters of respondents (ranked first 75 times), the modal ranking for South Africa was second ( $n = 44$ ), Portugal third ( $n = 38$ ), Brazil fourth ( $n = 40$ ), India fifth ( $n = 66$ ) and Russia was a distant sixth, ranked last by nearly all respondents ( $n = 95$ ), reflecting the limited Russian engagement in the Mozambican economy. Other countries mentioned at least five times as important sources of FDI were Nigeria (30), USA (14), Somalia (9),<sup>2</sup> Japan (7), South Korea (5) and Zimbabwe (5). There was a clear indication that foreign businesses had increased in Mozambique over the decade. The nationalities and sectors that had increased the most were the Chinese in construction and clothing, South Africans in food retail, Brazilians also in clothing and Portuguese across a range of sectors including construction and food retail.

While foreign investors were perceived to be good for the Mozambican economy *in general*, when it came to the treatment of workers, respondents were critical of foreign employers; 58% of respondents thought that they were worse than Mozambican employers, 13% the same and 29% better than local employers, but these numbers conceal differences. The open interviews showed a clearer and persistent pattern of negative attitudes towards certain national groups. Some foreign managers offered only: 'aggression, racism and low salaries' (I.17). Examples discussed mainly included the Chinese employers, especially in construction: 'The Chinese treat their employees badly and without respect' (I.37), 'The Chinese are racist' (I.55) and 'The Chinese beat their workers' (I.42) other examples are an 'Indian spat on a worker and called her poor' (I.11) and there were further negative comments about Indian as well as Nigerian employers. The 'Brazilians are better' (I.33) was a common observations and there were mixed reflections on the Portuguese. One interviewee reported being involved in an incident when a building collapsed and the Portuguese company avoided responsibility. South Africans were discussed less frequently, as they had similar labour standards to those of Mozambicans. Overall, interviews reinforced the statistics that showed that foreign employers were worse than local employers. This included arguments from both workers employed at domestic and foreign-owned companies. For locally owned businesses, foreign firms were most important as suppliers of goods and services. The increased availability of foreign-made goods had enabled new opportunities to 'build shops and create jobs' in retail and services (I.96). Through interview discussion, it was evident that the greatest effect of foreign investors was that they shaped the overall economy rather than particular sectors, such as clothing retail. Construction was the exception, as it was a sector where experienced foreign contractors had a comparative advantage in terms of capital and the skills and technologies required for complex projects. In particular, 'The Chinese are the competitors and charge less money' for construction projects (I.65). In terms of fostering new approaches to enterprise, the

interviewees recognized opportunities to learn about innovation, management, staff motivation, customer experience and 'entrepreneurship and the spirit of business' (I.63).

### What was the role of the FRELIMO government in facilitating or hindering business?

Economic growth and the expansion of business in Mozambique had fostered inequality and produced hot-spots of accumulation in Maputo (Castel-Branco, 2015; Melo, 2013). Between 2004 and 2014, the businesses in the sample population had benefitted from the wider context of economic change and liberalization in Mozambique. Elites within political society, meaning both key members of FRELIMO and as their allied interests in major business, had also benefited from reforms: 'The impact is positive for the president and leaders, but worse for us workers, nothing is improving' (I.62). When interviewees were asked about the specific effect of government policy on their business, they focused on the immediate impact on daily transactions, rather than the transformation of the macro-economic climate that had boosted clothing retail, leisure and construction and enabled their middle-class jobs. In Maputo, state policy created challenges that disrupted SMEs: 'Government should be reversed, and simplified to improve businesses' (I.98). The sample population did not view FRELIMO as a liberal pro-enterprise party, but rather one that can stifle SMEs, while providing opportunities for large capital. Some were concerned that there was a lack of regulation of FDI, especially at the larger scale: 'it is the fault of the lack of clear rules of what they can and cannot do here in Mozambique' (I.81). At the same time, there was frustration with local bureaucracy that inhibits business, including measures that a prototypical liberal regime would want to diminish to 'free' enterprise (Inglehart & Welzel, 2005; Obstfeld, 1998). The 'impostos' or taxes and charges, associated with doing business were a major issue and this includes the regulations that dictate work, but also surveillance and petty harassment from police. More challenging was the problem of graft and the need to 'reduce corruption' (I.73) to enable SMEs to grow.

### MAPUTO'S MIDDLE CLASS: FRUSTRATED AND SATISFIED WITH FAILURES AND SUCCESSES

The fieldwork cannot answer the question 'was Mozambique rising?' As previously discussed, there is strong evidence of national economic growth, but a persuasive argument that the programmes of liberalization and donor-led development interventions failed to reduce poverty (Alfani et al., 2012; Bertelsen, 2016; Cunguara, 2012). The field research showed that some people working in SMEs in Maputo were experiencing the benefits of increased foreign investment, as well as new opportunities for consumption. They generally believed in the success story, but this was expected, as these people were selected because they were the potential 'winners' from Mozambique's liberalization (IMF, 2011). Economic growth had delivered some observable gains for the middle class (Mazzolini, 2016). And yet, the sample population recognized Mozambique was not an unambiguous success story. The sample of respondents had enjoyed improvements in their livelihoods, which they felt had left them better off than the poorer majority working both in the informal economy of Maputo and in rural areas. At the same time, the participants were well aware that the higher class of Mozambique's elite were disproportionately gaining from the sustained growth of the economy. Three important points of failure raised by the interviewees require further analysis and can help to explain their ambiguous feelings.

First, participants raised concerns around the uneven development that was being reproduced. They recognized that foreign investment in fields such as aluminium processing, offshore gas and coal mining were bringing new money into Mozambique and this created some new urban employment. However, the interviewees' middle-class jobs in the service sector accounted for a small proportion of Maputo's population. There is a limit to how many middle-class jobs can

be generated in serving affluent and middle-class consumers in the hospitality and clothing sectors as well as in construction. Rather than a generalized improvement for the majority of Mozambique's population in the 'middle' of the socio-economic hierarchy, a relatively small number of formal jobs have been created outside of the immediate natural resource sector. Interviewees were critical because the overwhelming majority remained poor. In addition to growth, economic liberalization had brought new opportunities for consumption; yet, as Hanlon and Smart (2008) illustrated in their provocatively titled book 'Do bicycles equally development in Mozambique?' there are few winners. The people who sold imported bicycles – or in the case of this study sold imported garments, served coffee to business visitors or built foreign-financed office blocks – have individually benefited. But this type of economic activity does not generate widespread formal middle-class employment. Neither does it connect to the rural economy and help lift the masses out of impoverishment. Economic change in Mozambique between 2004 and 2014 failed to address poverty due to high levels of inequality. According to the managers interviewed, benefits more often went to domestic elites or the foreign owners of large businesses rather than to local entrepreneurial SMEs, suggesting poor progress towards the key objectives of the 2011–2014 Poverty Reduction Action Plan (IMF, 2011). There had been some SME growth in the three sectors researched, but crucially, there had not been wider expansion in labour-intensive industries (Cruz et al., 2017). Few people had entered the middle class. Among research participants, there was recognition that they had above-average status in Mozambique, yet, their middle-class status did not mean that they had escaped livelihood struggles, and many still suffered incidences of poverty. At the same time, interviewees were frustrated by the increasing inequality, the lack of wealth redistribution and the expatriation of profits.

This leads on to the second point, which concerns relationships with foreign investment. Overall, the respondents welcomed FDI, but were critical of the foreign employers' treatment of Mozambicans. The relationships were not characterized as neo-colonial, but some interviewees recognized that Mozambique was dependent on external investment. Foreign firms created growth, but led to vulnerable livelihoods, including labour abuses. Jobs in foreign-owned SMEs were worse than local SMEs, but better than the alternatives in Maputo's informal sector and offered precarious membership of the middle class; therefore, workers accepted the sacrifice of their tenuous rights. Exploitation of labour was viewed as being part of Mozambique's embrace of foreign capital. Elsewhere in southern Africa, research with Chinese- and Taiwanese-managed firms in Zambia and South Africa, respectively, showed that foreign managers organized work in a radically different way from their African counterparts and were influenced by the evolution of their home economies and societies (Hart, 2002). Chinese managers in particular introduced changes to formal sector labour regimes including the casualization and strict disciplining of workplaces (Brooks, 2010). Unregulated foreign investors setting up business in societies with a labour surplus, such as Mozambique, can afford to drive down both labour standards and salaries. This means that middle-class livelihoods remained precarious. Evidence from the interviews showed that the situation was different from the narrative that celebrated Maputo's rising middle class as clear winners of economic globalization (IDA, 2009; IMF, 2014). Instead of unbridled capitalism, some interviewees argued that foreign investors should have been more tightly regulated by the state to protect workers' rights.

Local entrepreneurs who owned SMEs wanted to emulate foreign business. The Mozambican *petite-bourgeoisie* could have enhanced their individual enterprises' profits if they learnt from foreign innovations, but if the state truly wanted Mozambique to follow in the footsteps of nations such as China, which recorded rapid growth and poverty reduction in the 2000s, then they need to reduce dependency on foreign investment and expand formal sector employment (Arrighi, 2007). Mozambique should have addressed the failure to develop labour-intensive industries in order to grow the middle class (Cruz et al., 2017). Instead, what emerged in the vibrant business district of downtown Maputo were a small number of highly visible local entrepreneurial and foreign-owned

SMEs concentrated in service sectors or structurally integrated with the liberalized, natural resource-dependent economy. The worse of these employers were foreign owned and had precarious employment practices and vulnerable workers. Notably in the technically demanding construction sector, foreign companies were out-competing Mozambican firms and exploiting employees.

Thirdly, a final finding, which nuances the rising narrative and the effects of economic liberalization and aid interventions, was the failure of both infrastructure projects and structural adjustment programmes to facilitate the emergence of a broad middle class. The government and their donor partners had been unable to deliver the banking, electricity, road and port facilities that businesspeople needed to sustain and grow their enterprises (Vines et al., 2015). Neither had the ERPs enabled a truly liberal environment for SMEs to flourish in Maputo, especially in secondary manufacturing industries (Cruz et al., 2017). The machinery of socialism had been dismantled, but in its place had arisen systems of regulation and formal and informal taxation that inhibited entrepreneurship. So, while at the macro level the policies of liberalization had encouraged FDI, enabled large-scale investors to grow businesses in the extractive industry, and stimulated the import of consumer goods, these same principles had not been applied to removing the regulations that constrained entrepreneurial SMEs. This includes business regulation such as permission from the local council – rather than labour protection – and also petty harassment from officials. The regulation of business in Maputo and associated corruption supported the livelihoods of people working within the local state apparatus including the police and local government, who in turn also bolstered the authority of the ruling party. The *partidarização* of the state apparatus has ensured that there is a strong connection between advantageous position in civil service and support for FRELIMO (Pérez Niño & Le Billon, 2014).

## EXTRAVERSION WORKS IN RISING AFRICA

Despite development failures, Mozambique worked in 2014 as a prototype of Africa rising. Chabal and Daloz (1999) built upon Bayart's (1993) thesis of extraversion to argue that 'Africa works': the political economy of African nations worked to benefit the local elite, which perpetuated itself. Africa was functional rather than inoperative. The Africa rising narrative which took hold in the 2000s and 2010s reinforced the status quo and was therefore enthusiastically embraced by both local elites and the international community (Taylor, 2016). The middle class were a pawn in this game. They were foregrounded in debates because they reinforced a false narrative of a collective 'Africa rising', but in reality, they were numerically small and politically weak (Melber, 2016). Their livelihoods could also remain precarious, as was the case in Maputo in 2014. Mozambicans working in SMEs were critical of uneven development, concerned by foreign investment and frustrated by the role of the state. The three failures were enabled by state and non-state actors within political society. African elites are active rather than dependent and passive in their relationships with foreign donors and investors. FRELIMO's leadership made sure that the Mozambican state became structurally biased towards a reworked version of capitalism, which led to the contradictions identified by the research participants for two interconnected reasons. One was that the state became dependent upon revenue derived from international investment projects and sources of donor finance linked to maintaining political conditions that promoted the free market (Hanlon & Cunguara, 2010). The other reason was to meet the priorities of leading figures within FRELIMO who mediated the relationship between the national economy and global markets and built alliances with new sources of FDI (Hanlon & Mosse, 2010). Domestic and international capitalist and state elites shared the objectives of generating profit, so forged a homologous relationship. Elites within FRELIMO aligned with the interests of foreign capital to enable the exploitation of Mozambique's economy. Some shared interests were easy to identify. For instance, President Guebuza was also on the board of *Cornelder*, the company that managed

the Beira and Quelimane ports and the toll road linking Maputo to Nelspruit in South Africa (Nhachote, 2012). Ensuring that these entrepôts were busy exporting Mozambique's natural resources and importing consumer goods was both good for Mozambique's president and richest man, as well as foreign capital. Guebuza was not alone and other prominent leaders within FRELIMO 'consolidated their business interests as shareholders and local partners for foreign investors' (Pérez Niño & Le Billon, 2014, p. 91).

The notion of 'Africa rising' was a cliché (Taylor, 2016), but it deserved to be taken seriously when applied to Mozambique, as it included at least a kernel of truth. Socialism had been successfully replaced by the free market. Development was occurring in Mozambique, as long as development success only meant the uneven expansion of capitalism. There was FDI from the BRICS, new construction projects in Maputo, a growing tourist economy, a boom in natural resource exports and more consumer goods in the stores. Compared to the 1990s, there had been some reduction in poverty, but progress stalled in the 2000s–2010s (Alfani et al., 2012). Mozambique was celebrated by some important political actors (UN News Centre, 2013). At the same time, many development programmes were failing to reduce poverty. Growth had produced a record number of millionaires, rather than lifting millions out of poverty (Kew, 2015). People in the middle in Maputo had enjoyed some benefits, but their livelihoods were still tenuous. They were frustrated, and their middle-class status could not be emulated by the wider population. Policies that worked for international capital did not properly serve the interests of SMEs nor foster a large rising middle class.

Mozambique worked as a means of enabling extraversion and thus it was important for political society to perpetuate the 'successfulness' of development, as it facilitated FRELIMO's electoral success and brought benefit to both the Mozambican elite and their international allies in big business. On a continental scale, Mozambique served as an important figurehead for the wider Africa rising narrative (IMF, 2014). There was a broader need to make sure that the success narrative was sustained, which goes beyond FRELIMO's desire to gain re-election, because donor interventions and liberal policies also needed to be promoted and legitimized to facilitate the continual reworking of capitalism (Moran & Pitcher, 2004). The majority of Mozambicans did not fully own their own development story (Castel-Branco, 2015). Yet, not only have Mozambicans not owned their own development, some, including many of the field research participants, have lost sight of what positive social change really means. Some middle-class Mozambicans even believe that the uneven advance of capitalism in tandem with the stagnation of social indicators and persistence of poverty represents an African success story.

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## NOTES

1. As the focus is on the middle class formally employed in SMEs, the informal micro-enterprises of the poor were not researched.
2. There are a small number of entrepreneurial Somalian-operated shops in Maputo. In neighbouring South Africa, informal Somalian 'spaza shops' are common. Somalians fled their country to escape civil war in the 1990s. A survey of 543 spaza shops in Cape Town found that 36.8% of them were run by Somali nationals (Sustainable Livelihoods Foundation, 2014, p. 4).

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